

Message Text

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70

ACTION NEA-10

INFO OCT-01 EUR-12 EA-07 ISO-00 SP-02 USIA-06 AID-05 EB-07

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 DODE-00 PM-04 H-02 L-03 PA-01 PRS-01

AGRE-00 FEA-01 /109 W

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R 221509Z NOV 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 9113

INFO AMEMBASSY ABU DHABI

AMEMBASSY BONN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EFIN, EG

SUBJECT: FOREIGN EXCHANGE LAW

REF: CAIRO 11689

1. CAIRO PRESS NOVEMBER 22 GIVES EXTENSIVE COVERAGE TO EXPECTATION THAT EXECUTIVE REGULATIONS GOVERNING FOREIGN EXCHANGE LAW, WHICH WAS SIGNED INTO EFFECT AUGUST 30 (REFTEL), WILL BE ISSUED WITHIN NEXT FEW DAYS. PRESS REPORTS PLUS CONVERSATIONS WITH EGYPTIAN OFFICIALS GIVE IMPRESSION THAT NEW SYSTEM WILL BE EXTREMELY LIBERAL AS REGARDS TRANSFERS OF CAPITAL ABROAD.

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2. COMMENT: THERE ARE RUMORS THAT CONTROVERSY RAGES

WITHIN GOE FINANCIAL CIRCLES OVER EXTENT TO WHICH EGYPTIANS
SHOULD BE ALLOWED TO EXPORT CAPITAL. WHILE WE HAVE NOT
SEEN DRAFT REGULATIONS, IMF REP DICKEY STATES THAT THEY
ARE OF A NATURE WHICH COULD LEAD TO SERIOUS CAPITAL
FLIGHT. POSSIBILITY FOR ANY EGYPTIAN, REAL OR LEGAL,
TO OPEN AN ACCOUNT WITHOUT NECESSITY OF EXPLAINING
SOURCE OF FOREIGN CURRENCY, AND TRANSFER FUNDS ABROAD
WITHOUT RESTRICTION COULD HAVE VERY SERIOUS IMPLICATIONS
FOR ECONOMY. HE IS URGING NEW MINFIN HAMID TO UNDERTAKE
RESTUDY OF ENTIRE QUESTION.

3. ANTICIPATE DICKEY'S ADVICE WILL BE FOLLOWED, WHICH
WOULD NECESSITATE FURTHER DELAY IN ISSUING REGULATIONS.

GENERAL CONSENSUS IS THAT DELAY, BUT ITSELF, WOULD BE
BENEFICIAL TO EGYPT.

EILTS

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Margaret P. Grafeld
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